Technical
Safety Authority
of Saskatchewan

# ANNUAL REPORT

# 2015

Inspiring and Shaping
Excellence in Public Safety

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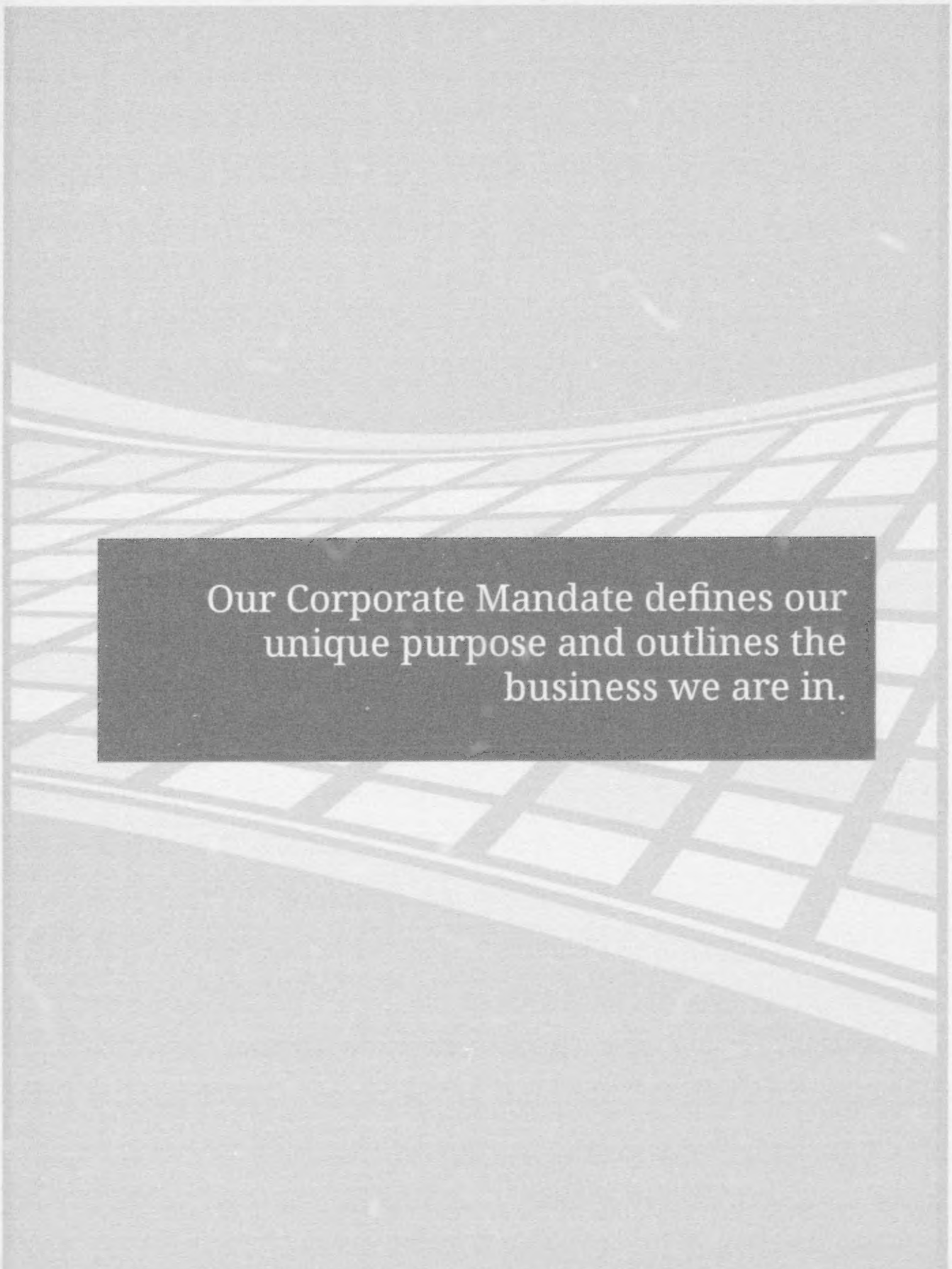

Our Corporate Mandate defines our
unique purpose and outlines the
business we are in.

# Organizational Overview

The Technical Safety Authority of Saskatchewan (TSASK) is a not-for-profit organization established July 1, 2010 through the passing of *The Technical Safety Authority of Saskatchewan Act.* TSASK was created from the Licensing and Inspections Branch of the Ministry of Corrections, Public Safety and Policing with a mandate of delivering safety programs related to pressure equipment, elevating devices and amusement rides.

TSASK's registration, inspection, certification and licensing programs and services operate on a fee-for-service basis. These fees are charged to the sectors that design, manufacture, install, operate and own potentially hazardous equipment. TSASK administers and enforces the provisions of the following legislation and related regulations:

- *The Boiler and Pressure Vessel Act, 1999;*
- *The Passenger and Freight Elevator Act;*
- *The Amusement Ride Safety Act.*

TSASK operates at arms-length from the provincial government, under the terms of a Safety Standards Agreement. The Ministry of Government Relations continues to be responsible for the legislative and regulatory requirements governing the safe operation of boilers, pressure vessels, elevators and amusement rides.

The provincial government also continues to be responsible for establishing safety standards, policies, legislative and regulatory requirements related to public safety.

# Our Corporate Mandate

The Technical Safety Authority of Saskatchewan is a not-for-profit organization responsible for the administration and enforcement of legislation and regulations on behalf of government.

Our professional team provides a full range of programs and services including:

- Licensing and permitting;
- Assessing regulated equipment design;
- Overseeing the fabrication and installation of regulated equipment;
- Assessing and certifying knowledge and quality practices within registered organizations;
- Testing, certifying and licensing of industry personnel;
- Inspecting regulated equipment;
- Educating and informing industry,
- Contributing to the advancement of safety standards;
- Enforcing standards and legislation;
- Investigating reported accidents.

These services are provided to individuals and organizations that design, manufacture, install, operate or own any equipment that falls within our area of responsibility.

# Vision

Recognized as a leading safety authority - a Saskatchewan service provider, inspiring and shaping excellence in public safety.

# Mission

In collaboration with owners, operators and the industry, TSASK provides professional safety, educational and regulatory services that instill a high level of confidence in our public safety system.

# Core Values

**Safety is Paramount**

We practice uncompromised safety in and through the services we deliver.

**Integrity**

We are open, honest, ethical and transparent in our conduct.

**Accountability**

We are committed to responsible, consistent and dependable actions.

**Teamwork**

We believe in the strength of collaborative efforts.

**Respect**

We treat colleagues, customers and stakeholders with respect.

**Recognition**

We value and acknowledge the work, ideas, initiatives and contributions of our colleagues and customers.

**Professional Service**

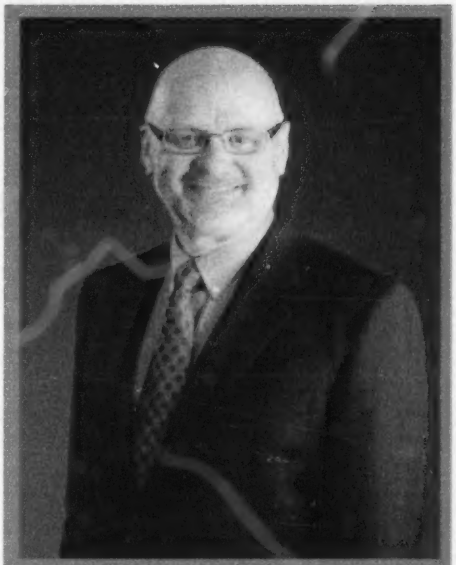
We add value to our customers through excellence in everything we do.

**Continuous Learning**

We invest in our employees' learning, growth and transfer of knowledge to support continuous improvement.

# Message from the CEO

It is my pleasure to present the Annual Report of the Technical Safety Authority of Saskatchewan for the 2014-15 fiscal year. Much of my discussion last year, my first full year as CEO, was focused on our internal efforts to create the cultural and operational building blocks to position our organization for continued success. Thank you to the entire management group and the TSASK team for embracing the challenge. Your commitment to building an environment of collaboration, empowerment and ownership has truly re-shaped our organization. Fiscal 2015 was a year of many achievements and while we discuss our performance in great detail in Management's Discussion of Financial and Operational Performance, I would like to provide an update on our strategic priorities and highlight some very important advancements.



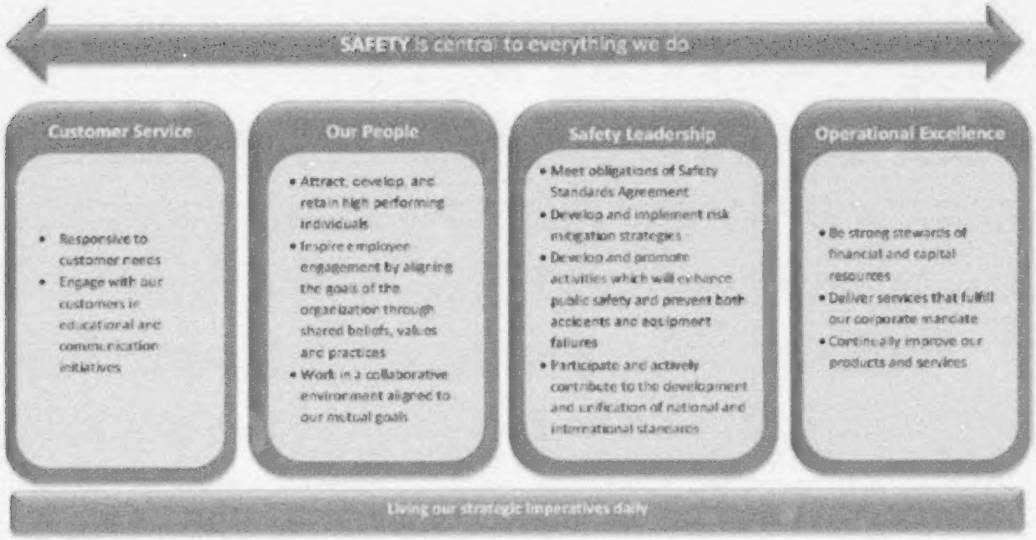
"TSASK prides itself on being an organization that is responsive to customer needs through continuous improvement in the areas of engagement, education and effective communication." Bill Scott, CEO

We are creating new value to support our customers and our primary client, the Province of Saskatchewan. That work was recognized in June 2015, when TSASK entered into a new 10-year service agreement with the Ministry of Government Relations through the renewal of the Safety Standards Agreement to 2025.

One of our biggest efforts this past year was focused on implementing our new code enforcement software (Basebridge), which is a customized software solution that provides TSASK with the tools it needs to become more efficient, improve the customer experience and more actively manage the risk profile of industry participants. The first module of Basebrige was implemented in the fall of 2014 for our largest business segment, boilers and pressure vessels. The system gives TSASK the ability to establish statistically measureable benchmarks to test, evaluate and more effectively deliver on our service standards. We have more visibility with respect to customer risk profiles, which improves our ability to prioritize our work. At the same time, this automation gives our inspectors access to real-time data, and the ability to report from the field, which reduces paper-based reporting, administration and improves data reliability.

Another significant undertaking during 2014-15 was our investigation into the explosion that occurred on December 24, 2013 at the Co-op Refinery Complex (CRC) in Regina. TSASK, together with Regina Fire and Protective Services established a team to investigate the explosion, and on December 3, 2014, we issued a special report for action. I commend those who dedicated countless hours to this important project. It was a collaborative effort, one that allowed us to share our expertise and learn from others on the team. The result was a comprehensive report that provided valuable insight and direction to one of our key Saskatchewan customers.

"Basebridge provides our inspectors with readily available historical inspection data and enables them to document and append important information so they can more effectively apply their expertise in the complex decision-making processes we employ," says Chris Selinger, TSASK's Chief Inspector. "It has improved our ability to advance greater risk-informed inspection practices, increase productivity and become even more responsive to industry demands."


SAFETY is central to everything we do
Customer Service
• Responsive to customer needs
• Engage with our customers in educational and communication initiatives
Our People
• Attract, develop, and retain high performing individuals
• Inspire employee engagement by aligning the goals of the organization through shared beliefs, values and practices
• Work in a collaborative environment aligned to our mutual goals
Safety Leadership
• Meet obligations of Safety Standards Agreement
• Develop and implement risk mitigation strategies
• Develop and promote activities which will enhance public safety and prevent both accidents and equipment failures
• Participate and actively contribute to the development and unification of national and international standards
Operational Excellence
• Be strong stewards of financial and capital resources
• Deliver services that fulfill our corporate mandate
• Continually improve our products and services
Living our strategic imperatives daily

"Our management team came together for a two-day strategic workshop where we re-affirmed our strategic priorities," said Bill Scott, CEO. "Our entire team has a shared understanding of our broad-based organizational priorities, which has created a workplace that encourages debate, problem solving, and solutions based collaboration."

I am also happy to report that our organization has made significant progress in addressing key deliverables that were identified by our management last year and subsequently noted by the Provincial Auditor during their audit of our organization's systems and processes in 2014. We welcomed the Provincial Auditor to our organization and were pleased that their assessment was consistent with our previously identified priorities. We have made substantial progress towards their recommendations and we have provided a summary of our work on pages 10 and 11 of this report.

TSASK prides itself on being an organization that is responsive to customer needs through continuous improvement in the areas of engagement, education and effective communication. To that end, TSASK implemented an industry wide customer survey in April 2015 to share our benchmarks for service standards and identify areas for improvement. We tested our staff's professionalism and knowledge, website effectiveness and turnaround times. The effort was extremely valuable.

We learned that our customers rely on TSASK for continuing education and knowledge transfers through certifications, process improvement and equipment safety training. They identified our successes and areas of improvement, and we are responding. We implemented on-line payment options and we are building an information section on our website to reduce inaccurate information and improve turnaround times. We are investigating additional on-line applications and payment options for more complicated submissions to improve the user experience for our bigger customers. All of these initiatives are being put in place to improve our interaction with our customers and illustrate our commitment to customer service.

From a broader perspective, TSASK continues to participate in, and provide leadership to, national and international standards development. TSASK is involved in technical committees and industry associations whereby we are influencing standards advancing safety and best practices.

It is through this work that we are able to advance our public education objectives as we strive to inspire and promote excellence in public safety. During fiscal 2015, TSASK together with our counterparts in British Columbia and Alberta, participated in the first ever regulator forum as part of the International Pressure Equipment Integrity Association (IPEIA). We also

introduced a new seminar program for industry that provides an overview of Saskatchewan provincial boiler and pressure vessel safety program requirements as well as an introduction to the scope and principles of the associated technical codes.

With respect to power engineering, TSASK moved beyond its traditional role as an examination Board. In 2015, in response to customer demand, TSASK revised the provincial Power Engineering Fireman Certification to more closely align the examinations with position requirements within the industry. This included new course materials for use by candidates and educators that came into effect on June 1, 2015.

A key priority area for our organization was, and will continue to be, a focus on our people. We must ensure that we are able to attract, develop and retain high performance individuals and inspire and engage our team to deliver results.

We have been successful through the most recent hiring process to attract a pool of technically trained candidates who are beginning their careers, which is an important component of our succession planning objectives, given some of our people are nearing retirement.

We also recognize that to truly influence an environment of collaboration and to understand the strengths and opportunities that will allow us to improve employee engagement and our service culture, we must have both formal and informal processes to solicit feedback and create buy-in. To this end, TSASK conducted its first ever employee survey in fiscal 2015. We tested various categories, including leadership, workplace culture, communication and our work environment in the context of our strategic priorities, customer service, people, safety leadership and operational excellence. The results were very positive with the organization being rated on average four out of five in all major categories.

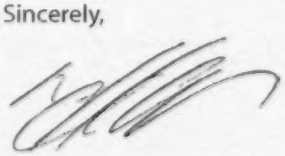
Further, through a substantial investment in training that included leadership, change management, communication, administrative processes and knowledge transfer, we are giving our employees the tools they need to advance their careers. We are creating opportunities for our employees who are motivated to do so, to move into non-traditional roles. As well, management is currently identifying areas where cross-functional training can be employed to further advance broad-based technical competencies throughout the organization.

*On behalf of the TSASK team, we pay tribute to Nick Surtees who passed away in February of 2015. He served as Chief Inspector for our organization from 1987 to 2005. He was instrumental in creating the current Boiler and Pressure Vessel Safety Act. In 2005, he received the Canadian Standards Association Award of Merit for over 15 years of outstanding leadership and devotion focused on the development of standards for public safety programming. His commitment to industry and this province was a significant one. He will be missed. "The TSASK team."*

In closing, thank you again to the entire TSASK team, including the Board of Directors, for your continued commitment to our organization. Over the past 18 months, we have embraced change, refocused the organization and built new competencies. We are now seeing the benefit of that work. We are creating an environment for ongoing success.

To all of our stakeholders, thank you for sharing in our vision. Your support, collaboration, and collective commitment to our mandate are truly appreciated, as we continue to strive to inspire and shape excellence in public safety.

Sincerely,



William J. Scott, CEO

# Summary of TSASK'S Strategic Priorities Recommendations

During 2013-14, the TSASK management team met to assess its risk management practices improvement. Subsequent to this session, TSASK welcomed the Provincial Auditor who con Their assessment was consistent with our identified priorities.

We have made substantial progress towards their recommendations. The following table pro

| Strategic Priority |
| --- |
| Identify and formally assess the risks surrounding the inspection of boilers and pressure vessels. |
| Use a documented risk-informed strategy for inspection selection. |
| Establish a policy requiring periodic formal re-evaluation of risk-informed strategies for inspection selection. |
| Establish written policies and procedures for handling incidents and complaints. |
| Establish a written policy for follow-up of inspection deficiencies. |
| Formalize the process to clear backlog of outstanding inspections for boilers and pressure vessels within a reasonable amount of time. |
| Establish processes to ensure the accuracy and completeness of TSASK's electronic inspection records. |
| Give the Board and the Ministry written analysis of trends for regulated sectors and measures implemented to monitor trends and mitigate risks. |
| Establish processes to track and monitor completion of inspections by Quality Management System operators, to confirm inspections have been completed in accordance with their approved manuals. |

# and Provincial Auditor's

and strategic priorities for the coming year in an effort to establish an action plan for
ducted a formal audit of our existing boiler and pressure vessel inspection practices.

vides a summary of our work:

| | TSASK Response | Status - June 30, 2015 |
|---|---|---|
| | TSASK developed a function within the Basebridge software system to enable risk analysis to be performed and documented for all boilers and pressure vessels. The output will be a Risk Priority Number (RPN) for each boiler and pressure vessel. | The function is currently being tested and TSASK has plans for full implementation in the fall of 2015. |
| | TSASK developed a risk-informed strategy for inspection selection utilizing the RPN system. | A procedure for priority ranking of boiler and pressure vessels based on the RPN has been developed and is currently in draft form.<br><br>Changes to regulatory requirements for periodic inspections will follow. |
| | TSASK will evaluate its risk-informed strategy for inspection selections on an annual basis at minimum. | TSASK intends to solidify this commitment in a formal written policy in the near future. |
| | TSASK is adding details to explain and clarify its incident and complaint procedures on the website. | This work is in progress. |
| | TSASK has implemented a policy document entitled, "Boiler and Pressure Vessel Corrective Action Order Follow-up Policy". | This work is complete. |
| | TSASK has prepared inventory growth forecasts and corresponding workforce level forecasts required to continue progress in the reduction of overdue inspections. | TSASK has implemented its recruitment and hiring plans based on its forecasts. |
| | TSASK has replaced its former software system with the new Basebridge software system. Basebridge improves data accuracy by eliminating next inspection date entry - instead automatically calculating next inspection dates. Basebridge also includes mandatory data entry fields to prevent data absence issues. | The Basebridge system has been implemented to address this priority. |
| | Upon implementation, TSASK undertook a data integrity review to improve the data imported from the previous database. | This work is continuing. |
| | The Safety Standards Agreement was updated on June 30, 2015 and the requirement for this written analysis no longer exists. | While no longer formally required, TSASK continues to monitor trends and mitigate risk as part of its commitment to excellence in public safety. |
| | TSASK is adding details to explain and clarify its process for receipt and review of QMS holder reports. | This work is in progress. |

# Management's Discussion of Financial and Operational Performance

The purpose of Management's Discussion of Financial and Operational Performance is to enhance our stakeholders' understanding of the industry trends that drive our priorities as an organization. It also provides financial and operational context to support the disclosures contained in the 2014-15 audited financial statements.

## Fiscal 2014-15 Review of Financial Performance

Fiscal 2014-15 was a productive year for our organization as we continued to invest in our people, our systems and to improve service to our customers. Financially, we continue to benefit from a strong revenue stream despite the downturn in the oil and gas sector mid-year. It is important to note that while economic growth is a key contributor to TSASK's revenue base, our primary stream of revenue is derived from licensing of boilers, pressure vessels, and elevators, which are largely stationary items that are well insulated from economic slowdown.

From a revenue recognition and cash flow perspective, our fees from licensing are collected in advance and are recognized as revenue over a one to five year period, depending on the licence. This means that we have a core base of stable, dependable revenue.

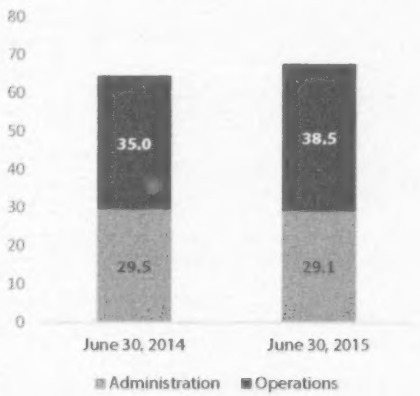
Revenues for 2014-15 were $9.670 million, up 4.9% from the $9.218 million we earned last year. Both of our primary businesses, boiler and pressure vessel safety and elevator safety, posted improved results year-over-year. Fiscal 2015 revenues from amusement ride safety were on par with 2013-14.

## Expenses

TSASK's expenses for 2014-15 were $9.332 million, an increase of $1.334 million or approximately 16.7% from last year.

Salaries and benefits were up approximately 11.9% to $6.391 million from the previous year, primarily reflecting the hiring of additional inspection expertise and the implementation of a new salary structure the Organization put in place to attract that expertise. TSASK also had a slightly higher full time equivalent employee count, which was 67.6 in fiscal 2015 versus 64.5 in fiscal 2014.

**Full Time Equivalent Count by Area**




The second most significant variance was amortization, which was $307,483 in fiscal 2015, more than double last year's level, as TSASK began amortizing its Basebridge software system in August 2014.

Rent, space and equipment expenses increased 16.8% to $1.009 million from $864,396. During the 2015 fiscal year, TSASK relocated its Saskatoon office from a downtown location to a space that provides better access and parking

for customers and a more productive work environment for our employees. Other business expenses this fiscal year were $421,371 compared to $268,446 last year, reflecting additional employee training and development costs, and expenses related to TSASK's new Pressure Equipment Safety Legislation (PESL) seminars that were implemented this year. And finally, legal, accounting and other services were $374,150 in fiscal 2015 versus $212,210 in fiscal 2014. This increase was primarily due to higher project management and consulting fees related to the implementation of Basebridge. As well, TSASK incurred additional legal fees to secure the Saskatoon lease and saw higher costs associated with its accounting software and external auditor fees.

## Capital Expenditures

During 2014-15, TSASK continued to invest in Basebridge and we were successful in implementing the first module of this system during the first quarter of 2014-15. Total capital expenditures for the year were $625,191 compared to $270,002 in fiscal 2014 reflecting additional hardware, software and consulting expenditures associated with our new information technology system, new leaseholds for the Saskatoon office and expenditures for further Basebridge improvements.

## Net Assets

TSASK's total net asset position was $3.917 million as of June 30, 2015 an increase of 9.4% from $3.579 million on June 30 last year. It is comprised of an investment in capital assets, a capital and operating reserve, as well as an externally restricted reserve. The externally restricted reserve is in place as defined under the Safety Standards Agreement with the Government of Saskatchewan.

## Review of Operational Performance

TSASK is responsible for inspecting and regulating licenced pressure equipment, licenced elevating devices and amusement rides.

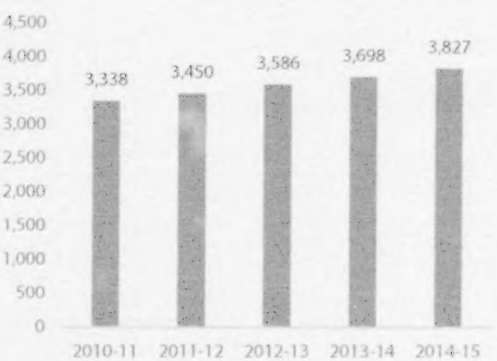
The number of licenced pressure equipment items for fiscal 2014-15 totalled 32,902, a net increase of 274 or 0.8% compared to 2013-14, which experienced a 3.3% growth rate relative to the prior year. Despite slower growth in fiscal 2015 due to declining oil and gas activity, the number of equipment items still grew relative to last year primarily because of the addition of new larger facilities such as gas plants and the SaskPower carbon capture plant. This growth was partially offset by a reduction of oilfield rig boilers, as well as

a reduction in regulated heating boilers, which were replaced by smaller boilers that are exempt from regulation.

**Licenced Pressure Equipment**

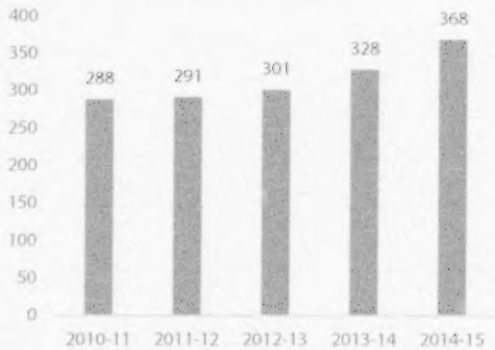
Licenced elevating device inventory includes passenger and freight elevators, dumbwaiters, lifts for the physically disabled, construction personnel lifts, and ski lifts. In 2013-14, there were 3,698 units in Saskatchewan, an increase of 3.1% or 112 units compared to the prior year. In 2014-15, the number of units within the Province continued to grow to 3,827, an increase of 3.5%, illustrating the continued growth trend over the last five years, which reflects strong economic activity in Saskatchewan in the mining, residential and commercial sectors.

**Licenced Elevating Devices**




The number of amusement rides that were licensed to operate in Saskatchewan during 2014-15 was 368 compared to 328 rides last year, up approximately 12.2% year-over-year, primarily the result of the addition of recreational inflatable structures.

**Amusement Rides**




## Quality Management Systems

Quality Management Systems (QMS) are available to companies who are able to illustrate their commitment to safety and demonstrate increased internal accountability and quality control. Owners or insurers of pressure equipment establish a documented inspection program. The owners, which are primarily larger customers, employ their own qualified inspection personnel who are required to perform recognized periodic inspections on equipment they own or insure. TSASK approves and audits those programs to ensure compliance.

TSASK remains committed to educating the industry on the benefits of developing a QMS program. There were seven companies or 22.3% of licensed provincial inventory operating under a QMS in fiscal 2015. In fiscal 2014, there were nine QMS companies, which comprised 21% of the provincial inventory. An additional two QMS applications were approved in 2015 but were awaiting formal implementation at year-end. The reduction in the number of companies with QMS systems is down year-over-year because of acquisition activity in the oil and gas industry.

## Inspection Services

Inspection services are integral to TSASK's mandate to ensure that effective and efficient safety programs are in place to support the growth of the provincial economy and continued compliance

by various Saskatchewan industry participants who are contributing to the Province.

The table below illustrates TSASK's inspection services relative to the prior fiscal year.

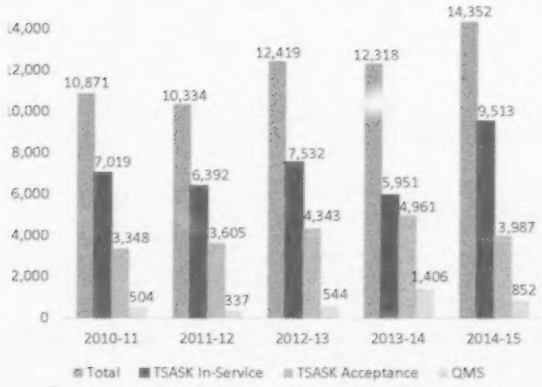
It is important to note that annual inspections are not required on all pressure equipment. We conduct periodic inspections to determine the condition of the equipment and its fitness to continue to operate safely, considering the operating conditions and environment. Inspection frequencies vary between one and five years, consistent with accepted regulatory practices. Periodic inspections by TSASK during fiscal 2015 represented 37.2% of total inventory that TSASK remains responsible to inspect.

TSASK conducted almost 60% or 3,562 more in-service pressure vessel inspections relative to the previous year, which represents 1,981 more than the Organization's previous best. Increasing staff levels and improving efficiencies were primary factors in TSASK's ability to achieve this result. In addition, we saw a decrease in inspection acceptances directly related

| | 2012-13 Actual | 2013-14 Actual | 2014-15 Actual | % Increase / (Decrease) |
|---|---|---|---|---|
| In-service pressure equipment | 7,532 | 5,951 | 9,513 | 59.9% |
| Pressure equipment installation acceptances | 4,343 | 4,961 | 3,987 | (19.6%) |
| Quality Management System inspections | 544 | 1,406 | 852 | (39.4%) |
| In-service elevating devices | 2,595 | 2,368 | 2,747 | 16.0% |
| Elevating device modification, modernization and installation | 344 | 248 | 239 | (3.6%) |
| Amusement ride initial set-up | 290 | 339 | 341 | (0.6%) |

to the slowdown in the oil and gas industry, which led to a reduction in new propane storage vessels being used for heating purposes at oil field sites.

**TSASK & QMS Boiler & Pressure Vessel Inspections**




TSASK has been successful in reducing the number of outstanding inspections that are six months or more past the standard inspection frequency by approximately 59.9% since the establishment of TSASK as a stand-alone organization. TSASK has reduced the outstanding inspection count from 22.8% of licensed inventory at its inception, to 8.6% after five years.

**Outstanding Inspections**

Periodic inspections rose significantly in fiscal 2015 as the inspection cycle for a number of equipment items (particularly those on a two and five year cycle) peaked during the year. This directly affected TSASK's ability to achieve a more significant decline in overdue inspections considering the increased volume of inspections.

Compared to 2013-14, elevating device inspections increased by 16.6% to 2,747 completed in-service inspections. Demand for acceptance inspections, which require more time, resulted in 239 inspections being performed on new installations or major modifications. Increased staff levels allowed TSASK to increase its inspections to keep up with rising inventory, while continuing to maintain its ability to complete the high number of acceptance inspections.

Similar to pressure equipment, it is not required that all elevating devices receive an annual inspection. However, the percentage is significantly higher, as elevators operate in an environment of higher mechanical wear and tear due to the cyclical nature of their operations. In 2014-15, 78.0% of all elevating devices received an inspection, which compares to 70.7%, 82.0% and 75.6% respectively in the prior three years.

All amusement rides that are operated in the Province are inspected annually, and TSASK has again performed to this high standard.

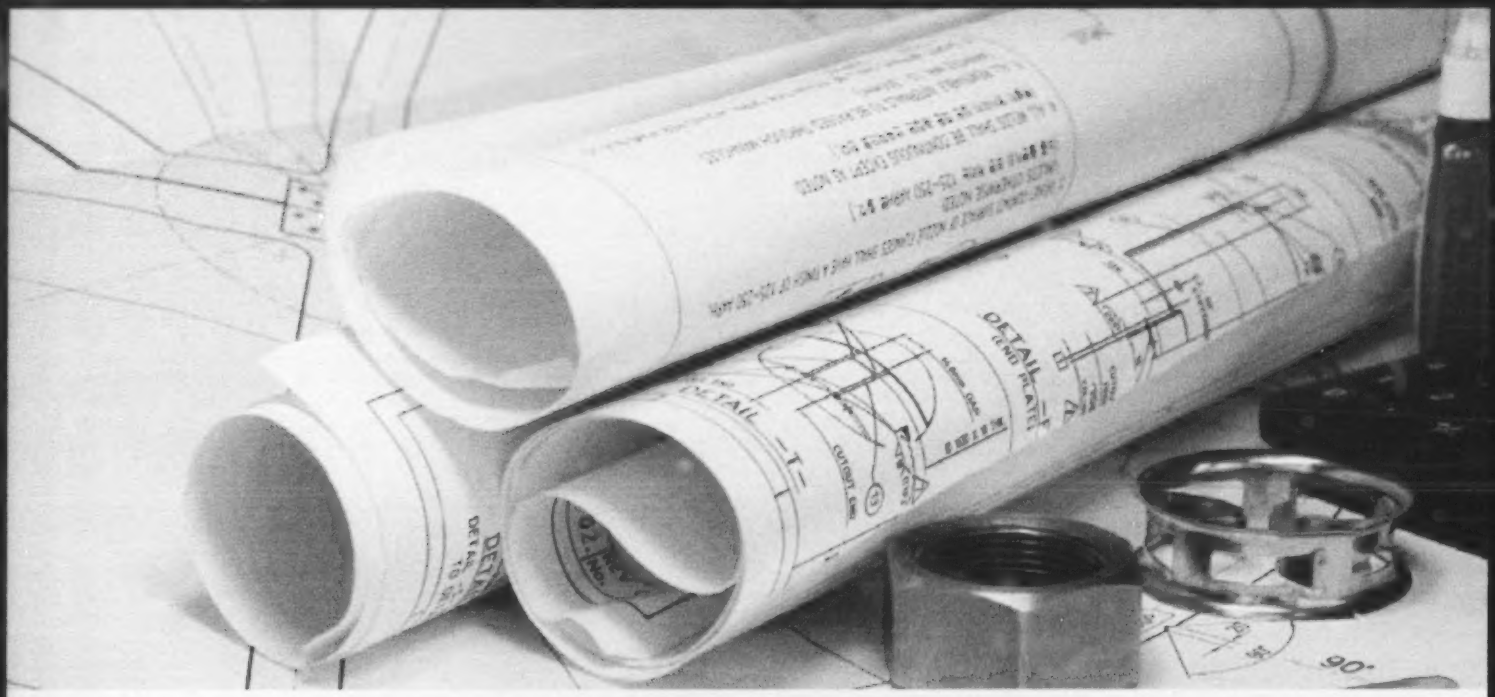
## Pressure Equipment Competency Certifications

In addition to administering inspection services, TSASK provides programs to ensure companies and people responsible for pressure equipment meet minimum competency standards. In 2014-15, TSASK issued 166 Certificates of Authorization to companies having demonstrated quality control systems for the installation, repair, alteration and/or manufacture of pressure equipment.

166

TSASK issued 166 Certificates of Authorization to companies demonstrating quality control systems.

There were 45 new companies included in this total. These certificates are valid for three-year periods before mandatory review and re-certification. There are 383 current valid Certificates of Authorization. These companies are



further supported by the 2,274 business licenses issued to pressure welders. TSASK administered 1,161 physical demonstration and examination tests of welders, and assessed qualifications held by welders from other provinces and authorized testing companies.

In response to customer demands, during fiscal 2014-15 TSASK increased testing in Saskatoon from monthly to weekly while maintaining weekly testing in Regina.

## Design Survey

TSASK reviews designs for pressure equipment and elevating devices that are to be operated in Saskatchewan to determine that the design complies with provincial legislation and relevant codes and standards.

In fiscal 2014-15, 2,154 pressure equipment designs were reviewed and registered, compared to 1,847 and 1,779 the previous two years. In addition, 209 elevating device plans were registered during the year, which was similar to the previous year. Boiler pressure vessel design registrations have grown 3.8% and 16.1% over the last two years.

TSASK had introduced new service level options in an effort to create a process for urgent reviews to be completed while efforts continue to reduce wait times. While the new service levels have been well received, we have also added capacity to this area of practice to further reduce turnaround.

During fiscal 2014-15, TSASK experienced a higher proportion of urgent reviews than anticipated. Despite the increase, TSASK completed all of the reviews within the guaranteed review times of 3 to 10 business days. The resulting increased service fee revenue from urgent reviews has allowed the Organization to increase staff resources, which in turn enabled TSASK to reduce turnaround times on all of its design surveys reviews by 25%.

**25%**

Turnaround times were reduced in 2014-15.

## Power Engineering

At year-end, there were 11,550 valid power engineering licences for the operation of boilers and refrigeration plants operating in the Province, similar to previous years. Power engineering licences are renewed every five years, and this year TSASK processed 1,834 renewals, which compares to 3,124

The Prairie South School Division provides course training that is recognized as 20 and 30 level high school credits. TSASK formally recognizes these components as approved course materials, which allows students to take the national certification examination.

and 2,736 in the last two years. The reduction in licence renewals is not reflective of a decrease in the profession, rather licence renewals this year were simply at the five-year low within the cycle.

TSASK conducted 3,580 examinations for people working towards a new or upgraded certificate level, which was on par with last year. We have also increased the frequency of exams in Regina from quarterly to monthly for those individuals seeking certification and we will be doing the same in Saskatoon in 2016.

**3,580**

Power Engineering examinations in 2014-15.

In addition, on April 1, 2015, TSASK introduced a one-year power engineering licence renewal option to the industry.

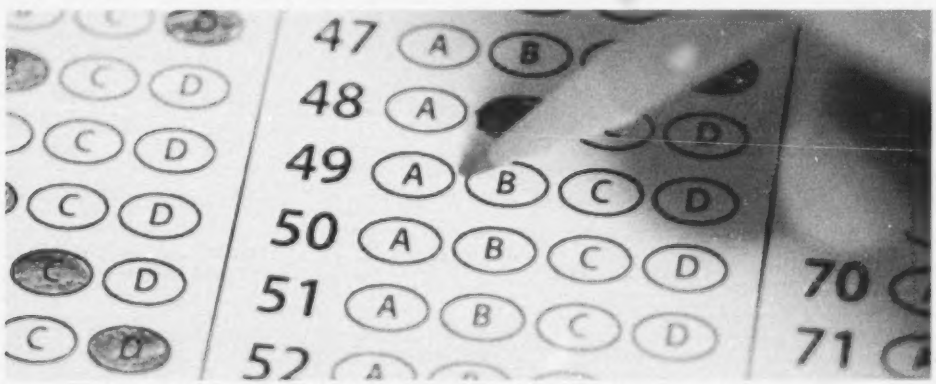
TSASK actively participates with a national committee that has standardized an examination question bank and examination policy. This allows for the recognition of a power engineer's certification by other provinces. TSASK administers the third most standardized exams in the country, exceeded only by Alberta and Ontario.

In response to customer demand, TSASK revised the provincial Power Engineering Fireman certification to more closely align the examinations with position requirements within the industry. We moved beyond our traditional role as an examination board in 2015. We developed new course material for use by candidates and educators effective June 1, 2015, and enhanced student support materials to provide more clarity and direction with respect to the examination.

In addition to this examination work, TSASK has also undertaken a role in the promotion of power engineering as a career. The lack of skilled operators has been a limiting issue for industry. This has presented an opportunity to become involved in a program that is now being recognized and promoted in support of the industry. SaskPower, the Prairie South School Division and TSASK work together to support Saskatchewan youth who want to become skilled in this highly sought after profession. SaskPower provides hands-on training at its Poplar River Station, while the Prairie South School Division provides course training that is recognized as 20 and 30 level high school credits. TSASK formally recognizes these components as approved course materials, which allows students to take the national certification examination.

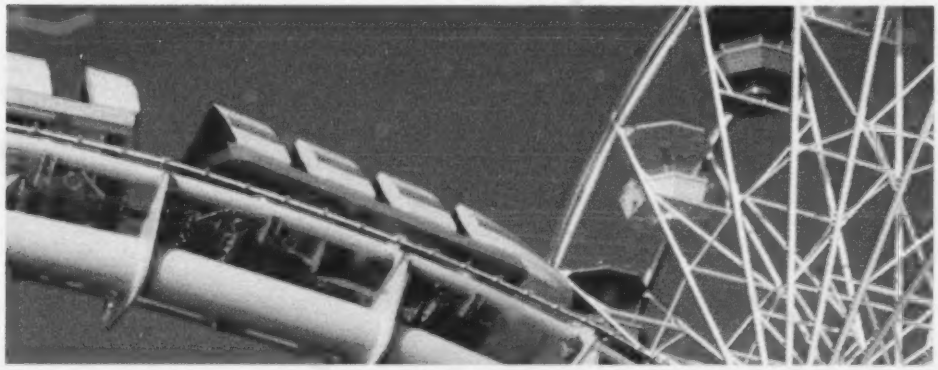
## Accidents

TSASK is pleased to report that there were no fatalities or serious injuries associated with the failure of equipment. In total, there were nine accidents reported to TSASK during the 2014-15 program year, which is down from 20 accidents the previous year. There were four boiler and pressure vessel accidents (seven in fiscal 2014), three elevator



accidents (compared to 11 last year) and two amusement ride accidents (two in fiscal 2014). All reported accidents were investigated for cause. A determination was then made with respect to the need for targeted or general industry awareness or corrective actions.

During fiscal 2014-15, TSASK completed a significant special project that required substantial resources and collaboration. TSASK, together with Regina Fire and Protective Services, established a team to investigate the explosion that occurred on December 24, 2013 at the Co-op Refinery Complex (CRC) in Regina. On December 3, 2014, the team completed its work and TSASK issued a special report to CRC for action and a special industry bulletin on Precautions for Equipment at Risk Due to Freezing.



In addition, after one amusement ride accident in 2015, TSASK was able to use its expertise of similar safety engineering solutions to advance amusement ride modifications, which subsequently led to TSASK sharing its recommendation with the National Association of Amusement Ride Safety Officials (NAARSO).

## Appeals

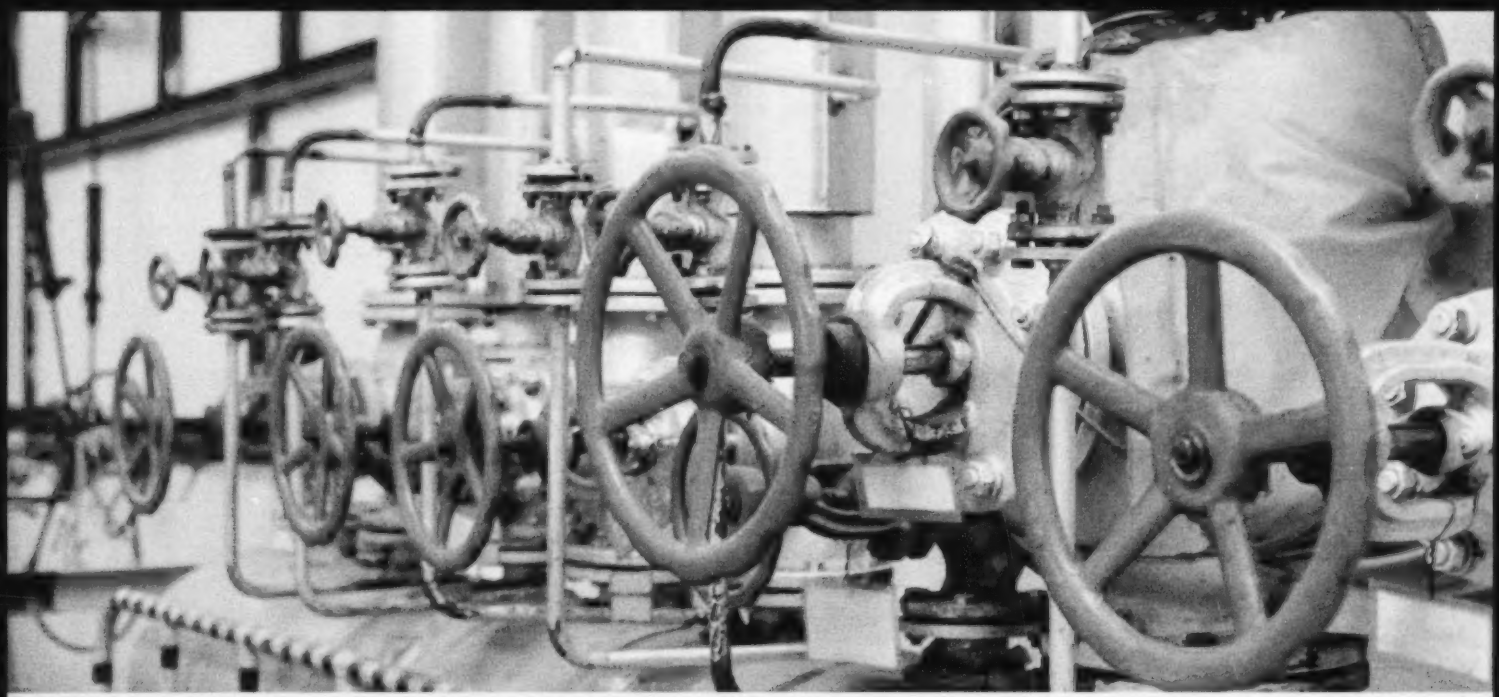
The Boiler and Pressure Vessel Safety Board, an initiative established within the Boiler and Pressure Vessel Act, 1999, hears appeals against the decisions of the Chief Inspector. The Board has the authority to review decisions related to the cancellation or suspension of a licence, the refusal to register or deregister a design and the cancellation or suspension of an Inspection Certificate, a Certificate of Authorization, or a Certificate of Qualification.

There were no appeals received by the Boiler and Pressure Vessel Safety Board in 2014-15. The lack of appeals received is due to a concerted effort to ensure that all program decisions are made in accordance with the legislation, regulations and public policies and procedures.

## Status of Acts and Regulations

Although TSASK operates at arm's length from the provincial Government, the Ministry of Government Relations remains responsible for the establishment of public policy as well as the maintenance and amendment of all associated Acts and Regulations. In 2013-14, TSASK began initial consultations with traction engine boiler associations and enthusiasts regarding effective regulation and policy. Consultations continued in fiscal 2015 and resulted in the establishment of new policies that will be implemented next year, which include changes to operating, inspection and repair requirements as well as personnel certifications and licencing.

It is our intent to advance this work to other associations in an effort to take a more active role in the development of recommendations for legislative and regulatory amendments in all three assigned technologies. In fact, the Saskatchewan Integrity Association (see next page) is engaged in early consultation with respect to boiler pressure vessel regulatory amendments.



## Saskatchewan Integrity Association

TSASK was integral in the creation, and is supportive of, the ongoing operation of the Saskatchewan Integrity Association. SIA is an owner association of pressure equipment inspectors and company integrity management inspectors focused on continuously improving and optimizing safety, reliability and integrity of pressure equipment within Saskatchewan facilities. Over the past two years, membership has grown from the original five founding members to 21 member companies. This represents 36.7% of licensed pressure equipment in the Province. SIA has a constitution and defined membership criteria. The organization is a progressive step for industry and will facilitate regulator relationships and communication.

During fiscal 2015, SIA was instrumental in the consultation and development of changes to policies and procedures used by TSASK for such topics as pressure piping design registration, QMS reporting and incident reporting definitions. TSASK will implement these changes early in the new year.

## Participation in the Standard Development Process and Liaison with Industry and Other Regulators

TSASK continues to contribute to, and participate in, national and international standards development. As members of the Canadian Standards Association (CSA), the National Board of Boiler and Pressure Vessel Inspectors (NBBI) and the American Society of Mechanical Engineers (ASME), TSASK personnel continue to participate on the following technical committees related to codes and standards adopted under provincial legislation:

- CSA B51 - Boiler, Pressure Vessel and Pressure Piping Code;
- CSA B52 - Mechanical Refrigeration Code;
- CSA B44 - Elevating Devices;
- ASME Boiler and Pressure Vessel Code - pressure vessel, non-destructive examination, and welding committees;
- Association of Chief Boiler and Pressure Vessel Inspectors (ACI);
- Association of Provincial Chief Elevator Inspectors (APCEI);
- Standardization of Power Engineers Examinations Committee (SOPEEC).

TSASK is also committed to ensuring that it maintains effective liaisons with other regulators and industry by attending and participating in the following associations and committees:

- Saskatchewan Integrity Association;
- Upstream Chief Inspectors Association (UCIA);
- International Pressure Equipment Integrity Association (IPEIA);
- Saskatchewan Power Engineers Technology Program Advisory Committee.

TSASK regularly consults and collaborates with the Saskatchewan chapter of the Canadian Propane Association (CPA) and with SaskPower Gas Inspections regarding current policy and procedures applicable to their industry. This work has resulted in a number of changes that improve upon the efficiency of permitting and inspections services for both the CPA and TSASK. We are also working through CSA code changes with CPA. These changes will significantly affect their operations. Our co-operative efforts are focused on finding an acceptable plan for demonstrating and achieving code compliance. In addition, through collaboration with SaskPower Gas Inspections, we have been successful in establishing a better understanding of shared or overlapping regulatory rules with the CPA and other areas such as gas fired boilers.

## Public Education and Information Sessions

As a means to identify and meet the needs of those that have an interest in our public safety systems, TSASK continues to develop and deliver public education and information systems.

We once again sponsored and presented at the International Pressure Equipment Integrity Association meetings. During fiscal 2015, TSASK also participated in the first ever regulator forum with British Columbia and Alberta at the IPEIA Conference.

Additionally, TSASK has continued the practice of delivering a presentation on legislation and how it affects the certification and licensing of power engineers as part of every entry-level limited power engineering examination.

We also introduced a two-day seminar on Saskatchewan pressure equipment safety legislation that provides an overview of Saskatchewan provincial boiler and pressure vessel safety program requirements as well as an introduction to the scope and principles of the associated technical codes.

In fiscal 2015, TSASK introduced a two-day Saskatchewan pressure equipment legislation seminar, providing an overview of provincial boiler and pressure vessel safety program requirements.

## Operational Initiatives

In the past, TSASK had faced challenges in adding capacity to our technical inspection staff. As a result of a concerted effort to addreess this issue, TSASK develped a recruitment strategy which has successfully attracted highly qualified candidates. In 2015, we were able to hire two boiler pressure vessel inspectors and one senior engineer. We also increased our design survey staff by three permanent positions.

Fiscal 2015 was a year of advancement with respect to balancing the demands of increases in equipment growth while maintaining a focus on scheduled inspections. Even though we were required to re-deploy experienced staff and substantial resources to the CRC special investigation, we were able, through the addition of human resources and the implementation of efficiency measures, to heighten our focus on workplace safety and significantly increase the number of inspections we completed. This was during a year when we were focused on implementing and refining Basebridge and responding to inspection cycle peaks, particularly for heating boilers and pressure vessels.

Customer experience was, and will continue to be, a key strategic priority for the organization. During fiscal 2015, we launched an industry-wide customer survey that probed the industry on our programs and services. We tested

our staff's professionalism, website effectiveness, and turnaround times. The results of the survey highlighted the importance customers place on TSASK's role in the industry and the many value-added services we deliver. At the same time, we received valuable feedback that will help to shape our priorities for the coming year.

## Risk Management

Development of a comprehensive risk management program has been a very important strategic priority for TSASK as it provides the strategic basis and operational framework for all that we do. We have made significant progress in 2014-15. Our new inspections software, Basebridge, includes a risk assessment system. We were successful in implementing Basebridge, on August 4, 2014 and further investment and enhancements have been added since implementation.

The software allows us to assess and record equipment risk and assign a Risk Priority Nunber (RPN) for each piece of equipment. We will quantify the risk, based on the calculation of three criteria:

1. **Probability** - probability that the equipment could fail, using variables such as condition and design;
2. **Severity** - consequences if the equipment were to fail, based on variables such as location and dependence of other processes on the equipment; and
3. **Detection** - the effectiveness of processes and controls that could detect a problem before failure occurs.

By determining the RPN scores for equipment, TSASK is able to categorize and query equipment by risk, allowing appropriate actions to be taken. The risk assessment system is currently being tested and refined, and we have plans for implementation in the fall of 2015. In addition to the many operational efficiencies and improved risk management functionality, Basebridge will enhance operational decision-making and provide valuable statistics and data that were not previously available.

| | | Detectability | | |
|---|---|---|---|---|
| | | High | Medium | Low |
| Risk (P's) | High | | | |
| | Medium | | | |
| | Low | | | |

Low Risk  Medium Risk  High Risk

From left to right: Robert Schutzman, Shara Mccormick, Ken From, Peter Hoffmann, Keith Laxdal, Ted Hillstead, Robert Watt.
Absent from photo: Michael Dumelie.

# The Board of Directors

## Message from the Chair

Fiscal 2014-15 was a productive year for the Technical Safety Authority of Saskatchewan. We are pleased with the progress the Organization has made in advancing its risk management priorities and operational strategies, while maintaining a strong, stable financial position. We believe that the work undertaken over the past fiscal year, places our organization in a very strong position to continue to execute on its mandate.

We also recognize the cultural shift the Organization has made under the leadership of CEO, Bill Scott. As a Board of Directors, we have experienced first hand the value of cross company collaboration and engagement. This people based effort, together with the implementation of new technology and the associated risk assessment tools, has given the Board more visibility into the key challenges and drivers of the business. This in turn, has improved decision-making and reporting throughout all levels of the organization.

From the Board's perspective, our focus over the coming months will be on renewal, as under our governing legislation, board appointments are limited to two three year terms. This fall, Mr. Ted Hillstead will complete his second and final term with the Board. As Chair of the Audit and Finance Committee, Ted has provided outstanding leadership and insight as we transitioned from a government department to a stand-alone organization. His expertise and commitment has been extremely valuable and we will miss his contribution to Board deliberations.

On behalf of the Board of Directors, I would like to extend our sincere appreciation to the TSASK team, its customers, the industry and the Government of Saskatchewan.

Robert Watt

Robert Watt

## Michael Dumelie

Member: Human Resources Committee

Michael Dumelie is a partner in Oxford Libero Consulting, a company he established in 2009. He is also an owner of Exeter Developments and Exeter Construction and a partner with Green Growth Capital. Prior to that, he was a Senior Vice President of Business Solutions and a Director of Information Technology for CUETS/Bank of America from 2001 to 2008. He was a Director of Information Management at Saskatchewan Environment and Resource Management from 1998 to 2001, and from 1994 to 1998 Director of Information and Finance and Administration for Saskatchewan Health.

Dumelie has served on the Mayor's Economic Development Committee in Regina. He has been involved with the Certified Management Accountants organization at the local, provincial and national level, and is active in coaching local and high-performing hockey teams. He lives in Regina.

## Ken From

Member: Human Resources Committee

Ken From is a Professional Engineer who has spent over a decade involved in the public safety aspect of engineering, including serving as CEO of TSASK from 2010 to 2012. Currently the CEO of the Petroleum Technology Research Centre, From was previously involved in two junior oil companies operating in Saskatchewan. In addition, with 26 years at SaskEnergy, Ken served in a variety of roles including Senior VP of Gas Supply and Business Development.

From brings many years of corporate and board experience in both the private and public sectors. He lives in Regina.

## Ted Hillstead

Chair: Audit & Finance Committee

Ted Hillstead is currently a Senior Partner with Cogent Chartered Professional Accountants LLP, a position he has held since 1994. He was Dean of Operations for Southeast Regional College from 1990 to 1997, and Coordinator for US Financial Accounting at Evraz Inc., from 1985 to 1990.

Hillstead served as President of the Saskatchewan Chamber of Commerce from 2004 to 2005. He has been a Director of the Weyburn Cooperative Association for the past 15 years, and was the Chair of the Board of CAA Saskatchewan. He lives in Weyburn.

## Peter Hoffmann

Member: Audit & Finance Committee

Peter Hoffmann was Director of Corporate Development for the Saskatchewan Public Employees Benefits Agency from 2003 until 2008. Previous to that, he served in senior positions with the Saskatchewan Housing Corporation, including President and CEO of SHC from 1999 to 2001. He began his career with Saskatchewan Government Insurance in 1974.

In recent years, Hoffmann has served as Chair and Past Chair of the Campion College Board of Regents and on the Board of Ranch Ehrlo Community Services Inc. He lives in Regina.

## Keith Laxdal

Member: Human Resources Committee

Keith Laxdal has served as Chairperson of the Automobile Injury Appeal Commission since December 2009. Prior to that, he was Associate Deputy Minister, Finance and Administration Division for Saskatchewan Justice from 1990 to 2008, Associate Deputy Minister, Saskatchewan Finance from 1987 to 1990 and Deputy Minister, Saskatchewan Revenue and Financial Services from 1984 to 1987. Laxdal began his career with the Budget Bureau in Saskatchewan Finance in 1967.

Laxdal's community involvement includes 17 years as a member of the Board of the Credit Union Deposit

Guarantee Corporation, as well as serving on the Saskatchewan Film Classification Board and the South Saskatchewan Hospital Board. He lives in Regina.

### Shara Mccormick

Chair: Human Resources Committee
Vice Chair: Board of Directors

Shara Mccormick is Senior Director of Human Resources and Corporate Services at SaskTel, responsible for human resource strategic planning and development and corporate asset management. Mccormick has also been a Sessional Lecturer at the University of Regina. She lives in Regina.

### Robert Schutzman

Member: Audit & Finance Committee

Bob Schutzman is the Director of Environmental Affairs for Canada for EVRAZ Inc. NA Canada, a Canada-wide, multi plant management role he has filled since 1998, and during which time he was also EVRAZ's Canadian Director of Trade for five years. Previously, Schutzman held various positions with IPSCO Inc., was a regulator in the Water Quality Branch of Saskatchewan Environment and Public Safety from 1985 to 1990, an environmental engineer for the Potash Corporation of Saskatchewan from 1980 to 1985, and held various engineering positions back to 1970.

Schutzman has been involved in a number of community and professional boards focused on environmental issues. He was a founding Director and past Chair of the Saskatchewan Environmental Industry and Managers Association and was also Chair of TSASK. He lives in Regina.

### Robert (Bob) Watt

Chair: Board of Directors

Ex-Officio: Human Resources Committee

Member: Audit & Finance Committee

Bob Watt is a retired partner of Deloitte. During his career, he managed the delivery of client services to a number of major companies in Saskatchewan and nationally and was City Leader for Deloitte from 2003-2010. As a result, Bob brings a particularly strong background in client service, as well as broad experience in management and corporate leadership.

Watt has also been a leader in community organizations in health and education, and is the Chair of the Audit Committee of the Western Surety Board as well as serving on several other boards of Regina based organizations. He holds an Honours Business Administration degree from the Richard Ivey School of Business, University of Western Ontario, and earned his Chartered Professional Accountant designation in both Ontario and Saskatchewan, becoming a Fellow Chartered Professional Accountant in 1997. Bob received the Distinguished Community Service Award of CPA Saskatchewan. He lives in Regina.

# Management's Responsibility for the Financial Statements

To the Board of Directors:

Management is responsible for the preparation and presentation of the accompanying financial statements, including responsibility for significant accounting judgements and estimates in accordance with Canadian accounting standards for not-for-profit organizations and ensuring that all information in the annual report is consistent with the statements. This responsibility includes selecting appropriate accounting principles and methods, and making decisions affecting the measurement of transactions in which objective judgement is required.

In discharging its responsibilities for the integrity and fairness of the financial statements, management designs and maintains the necessary accounting systems and related internal controls to provide reasonable assurance that transactions are authorized, assets are safeguarded and financial records are properly maintained to provide reliable information for the preparation of financial statements.

The Board of Directors and the Audit and Finance Committee are composed entirely of Directors who are neither management nor employees of Technical Safety Authority of Saskatchewan. The Audit and Finance Committee is responsible for overseeing management in the performance of its financial reporting responsibilities, and for recommending approval of the financial statements to the Board. The Audit and Finance Committee has the responsibility of meeting with management and the external auditors to discuss the internal controls over the financial reporting process, auditing matters and financial reporting issues. The Audit and Finance Committee is also responsible for recommending the appointment of the Authority's external auditors.

MNP LLP, an independent firm of Chartered Accountants, is appointed by the Board of Directors to audit the financial statements and report directly to the Board; their report follows. The external auditors have full and free access to, and meet periodically and separately with, both the Committee and management to discuss their audit findings.

September 10, 2015

Chief Executive Officer

Vice President, Corporate Services

# Independent Auditor's Report

To the Directors of Technical Safety Authority of Saskatchewan:

We have audited the accompanying financial statements of Technical Safety Authority of Saskatchewan, which comprise of the statement of financial position as at June 30, 2015, and the statements of operations and change in net assets, and cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information.

*Management's Responsibility for the Financial Statements*
Management is responsible for the preparation and fair presentation of these financial statements in accordance with Canadian accounting standards for not-for-profit organizations and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

*Auditors' Responsibility*
Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained in our audits is sufficient and appropriate to provide a basis for our audit opinion.

*Opinion*
In our opinion, the financial statements present fairly, in all material respects, the financial position of Technical Safety Authority of Saskatchewan as at June 30, 2015 and the results of its operations, changes in net assets and its cash flows for the year then ended in accordance with Canadian accounting standards for not-for-profit organizations.

MNP LLP

Regina, Saskatchewan
September 10, 2015

Chartered Professional Accountants

# Financial Statements

**TECHNICAL SAFETY AUTHORITY OF SASKATCHEWAN**
**STATEMENT OF FINANCIAL POSITION**

As of June 30, 2015

| | 2015 | 2014 |
|---|---|---|
| **ASSETS** | | |
| **Current Assets** | | |
| Cash | $ 930,734 | $ 4,606,410 |
| Accounts receivable (note 3) | 308,044 | 383,773 |
| Prepaid expenses | 108,566 | 35,801 |
| Short term investments (note 4) | 4,089,270 | 850,509 |
| | 5,436,614 | 5,876,493 |
| **Long term investments** (note 4) | 507,877 | 500,127 |
| **Tangible capital assets** (note 5) | 1,453,191 | 1,102,674 |
| **Intangible capital assets** (note 6) | 625,902 | 658,710 |
| | $ 8,023,584 | $ 8,138,004 |
| **LIABILITIES AND NET ASSETS** | | |
| **Current Liabilities** | | |
| Accounts payable and accrued liabilities (note 8) | $ 604,340 | $ 798,535 |
| Deferred revenue (note 9) | 2,358,229 | 2,567,278 |
| Deferred tenant allowance (note 10) | 35,383 | 31,383 |
| | $ 2,997,952 | $ 3,397,196 |
| **Deferred revenue** (note 9) | 879,170 | 915,557 |
| **Deferred tenant allowance** (note 10) | 229,120 | 245,837 |
| | $ 4,106,242 | $ 4,558,590 |
| **Net Assets** (note 11) | | |
| Invested in capital assets | $ 2,079,093 | $ 1,761,384 |
| Externally restricted - safety standards agreement | 600,000 | 600,000 |
| Internally restricted - capital reserve | 400,000 | 400,000 |
| Unrestricted - operating reserve | 838,249 | 818,030 |
| | 3,917,342 | 3,579,414 |
| | $ 8,023,584 | $ 8,138,004 |

Commitments (note 12)
See accompanying notes to the financial statements.

**Approved by the Board:**

Director

Director

**TECHNICAL SAFETY AUTHORITY OF SASKATCHEWAN**
**STATEMENT OF OPERATIONS AND CHANGES IN NET ASSETS**

For the year ended June 30, 2015

| | 2015 | 2014 |
|---|---|---|
| **REVENUES** | | |
| Boiler and pressure vessel safety | $ 8,099,979 | $ 7,855,782 |
| Elevator safety | 1,427,866 | 1,255,218 |
| Amusement ride safety | 44,251 | 45,827 |
| Other | 98,110 | 60,740 |
| | 9,670,206 | 9,217,567 |
| **EXPENSES** | | |
| Salaries and benefits | $ 6,391,162 | $ 5,711,126 |
| Rent, space and equipment | 1,009,226 | 864,396 |
| Travel | 471,654 | 448,732 |
| Other business expenses | 421,371 | 268,444 |
| Legal, accounting and other services | 374,150 | 212,210 |
| Amortization | 307,483 | 144,938 |
| Administrative | 265,976 | 259,920 |
| Board and committees | 91,256 | 88,046 |
| | 9,332,278 | 7,997,812 |
| **EXCESS OF REVENUE OVER EXPENSES** | **$ 337,928** | **$ 1,219,755** |
| Net assets, beginning of year | 3,579,414 | 2,359,659 |
| **NET ASSETS, END OF YEAR** | **$ 3,917,342** | **$ 3,579,414** |

See accompanying notes to the financial statements.

**TECHNICAL SAFETY AUTHORITY OF SASKATCHEWAN**
**STATEMENT OF CASH FLOWS**

For the year ended June 30, 2015

| | 2015 | 2014 |
|---|---|---|
| **CASH FLOWS FROM (USED IN)** | | |
| **OPERATING ACTIVITIES** | | |
| Excess of revenue over expenses | $ 337,928 | $ 1,219,755 |
| Items not affecting cash | | |
| Amortization of tangible capital assets | 173,863 | 144,938 |
| Amortization of intangible capital assets | 133,620 | - |
| Amortization of tenant allowance | (32,717) | (31,543) |
| | 612,694 | 1,333,150 |
| Net change in non-cash working capital | | |
| Accounts receivable | 75,729 | 347,136 |
| Prepaid expenses | (72,766) | 2,307 |
| Accounts payable and accrued liabilities | (194,195) | 95,567 |
| Deferred revenue | (245,436) | 853,817 |
| Deferred tenant allowance | 20,000 | 4,867 |
| | 196,026 | 2,636,844 |
| **INVESTING ACTIVITIES** | | |
| Additions to tangible capital assets | (524,379) | (13,476) |
| Additions to intangible capital assets | (100,812) | (256,526) |
| Purchase of investments | (3,246,511) | (1,350,636) |
| | (3,871,702) | (1,620,638) |
| **(DECREASE) / INCREASE IN CASH** | **(3,675,676)** | **1,016,206** |
| **CASH, BEGINNING OF THE YEAR** | 4,606,410 | 3,590,204 |
| **CASH, END OF THE YEAR** | **$ 930,734** | **$ 4,606,410** |

See accompanying notes to the financial statements.

# Notes to the Financial Statements

## 1. NATURE OF BUSINESS

The Technical Safety Authority of Saskatchewan (TSASK) is a not-for-profit organization which was established effective July 1, 2010 through the passing of The Technical Safety Authority of Saskatchewan Act (the "Act"). TSASK was created from the Licensing and Inspections Branch of the Ministry of Corrections, Public Safety and Policing, with a mandate of delivering safety programs related to pressure equipment, elevating devices and amusement rides.

TSASK's registration, inspection, certification and licensing programs and services operate on a fee-for-service basis. These fees are charged to the sectors involved in the manufacturing, installing and operating of technical equipment. TSASK entered into the Safety Standards Agreement with the Government of Saskatchewan to establish the rights and responsibilities of the parties and the terms and conditions for the delegation to TSASK of the administration of the safety statutes in accordance with the Act.

TSASK administers and enforces the following legislated safety statutes:

- *The Boiler and Pressure Vessel Act, 1999;*
- *The Passenger and Freight Elevator Act;*
- *The Amusement Ride Safety Act.*

## 2. SIGNIFICANT ACCOUNTING POLICIES

### (a) Basis of Accounting

TSASK's financial statements are prepared in accordance with Canadian generally accepted accounting standards for not-for-profit organizations.

### (b) Use of Estimates

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the year. In particular, accounts receivables are stated after an evaluation to determine collectability is conducted and an appropriate allowance for doubtful accounts is provided where considered necessary. Estimates are also used to determine amortization which is based on the estimated useful lives of the assets. The percentage of completion of revenue is also estimated. Estimates are based on management's knowledge of current events and actions TSASK may undertake in the future. These estimates and assumptions are reviewed periodically and adjusted for as required.

### (c) Revenue Recognition

TSASK follows the deferral method of accounting for grant contributions. Unrestricted contributions are recognized as revenue when received or receivable if the amount to be received can be reasonably estimated, collection is reasonably assured and the expenses relating to the contribution are incurred. When a fee covers a specific period, revenues are recognized evenly over that period. Where the fee does not cover a specific period and is earned over a period of time, estimates are used to determine the period

# Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

over whch revenue is recognized, based on past history. In both cases, unearned fees are recorded as deferred revenue. All other revenues are recorded when services are performed and are recorded on the accrual basis.

**(d) Corporate Income Taxes**
TSASK is incorporated as a not-for-profit organization and is exempt from federal and provincial income taxes.

**(e) Cash**
Cash is comprised of balances with the bank and is recognized at fair value.

**(f) Accounts Receivable**
Management evaluates collectability of customer receivables depending on the customer and the nature of the service provided. Collectability of receivables is reviewed and adjusted for as required. Account balances are provided for in excess of revenue over expenses when management determines that it is probable that the receivable will be collected.

**(g) Investments**
Investments consist of term deposits and are carried at fair market value. Investments expected to be realized beyond the next fiscal year are classified as long-term.

**(h) Tangible Capital Assets**
Tangible capital assets are recorded at cost. Amortization of property and equipment commences when it is brought into service and is provided on a straight-line basis over the estimated useful lives of the assets as follows:

| | |
|---|---|
| Furniture and equipment | 7 years |
| Computer hardware | 3 - 5 years |
| Leasehold improvements | term of the lease |

**(i) Intangible Assets**
Direct costs attributed to the purchase and customization of third party software are capitalized and are recorded at cost. Costs to support or service software are expensed in the period incurred. Amortization of software commences when it is brought in to service and is provided on a straight-line basis over the estimated useful life of the asset (3 - 5 years).

**(j) Financial Asset Impairment**
TSASK assesses impairment of all its financial assets measured at cost or amortized cost. TSASK groups assets for impairment testing when available information is not sufficient to permit identification of each individually impaired financial asset in the group. Management considers whether the issuer is having significant financial difficulty and/or whether there has been a breach in contract, in determining whether objective

# Notes to the Financial Statements

2. SIGNIFICANT ACCOUNTING POLICIES (continued)

evidence of impairment exists. Where there is an indication of impairment, TSASK determines whether it has resulted in a significant adverse change in the expected timing or amount of future cash flows during the year. If so, TSASK reduces the carrying amount of any impaired financial assets to the highest of: the present value of cash flows expected to be generated by holding the assets; and the amount that could be realized by selling the assets. Any impairment, which is not considered temporary, is included in current year earnings.

TSASK reverses impairment losses on financial assets when there is a decrease in impairment and the decrease can be objectively related to an event occurring after the impairment loss was recognized. The amount of the reversal is recognized in the statement of operations.

**(k) Deferred Tenant Allowance**

Deferred tenant allowance includes amounts received in lease agreements related to leasehold improvements. Amortization of the deferred tenant allowance is recognized over the length of the lease on a straight-line basis.

**(l) Financial Instruments**

Financial instruments are recognized when TSASK becomes party to the contractual provisions of the financial instrument. All financial instruments are initially recorded at fair value. Financial assets and liabilities originated and issued in related party transactions are initially measured at their carrying or exchange amount in accordance with CPA Canada Part II, Section 3840 Related Party Transactions.

At initial recognition, TSASK may irrevocably elect to subsequently measure any financial instrument at fair value. TSASK has elected to measure investments at fair value.

TSASK subsequently measures all other financial instruments at cost or amortized cost, except for investments which are carried at fair value.

**(m) Net Assets**

i. **Invested in capital assets**
Net assets invested in capital assets of $2,079,093 (2014 - $1,761,384) represent the amount of net assets that are not available for other purposes due to investment in long-term assets.

ii. **Externally restricted reserve**
The Safety Standards Agreement requires TSASK to maintain an adequate surplus to protect the organization from unforeseen circumstances that would affect the viability of TSASK. The Board of Directors had restricted $600,000 for this purpose.

iii. **Capital reserve**
A capital reserve of $400,000 has been established by the Board of Directors to fund long-term investment projects, such as the modernization of facilities and information technology systems.

# Notes to the Financial Statements

## 2. SIGNIFICANT ACCOUNTING POLICIES (continued)

**iv. Operating reserve**

The operating reserve represents all accumulated surplus. This amount can be used to fund future operating initiatives and is unrestricted.

## 3. ACCOUNTS RECEIVABLE

| | 2015 | 2014 |
|---|---|---|
| Trade | $ 272,861 | $ 352,730 |
| Other receivables | 55,183 | 53,050 |
| Allowance for doubtful accounts | (20,000) | (22,007) |
| | **$ 308,044** | **$ 383,773** |

## 4. INVESTMENTS

**(i)** Short term investments consist of term deposits of $4,089,270 (2014 – $850,509) with yields between 1.00% and 1.40%, maturing prior to September 28, 2015.

**(ii)** Long term investments consist of the following, maturing on June 26, 2017, at a rate of 1.55%:

| | Cost 2015 | Market Value | Cost 2014 | Market Value |
|---|---|---|---|---|
| Term Deposit | $ 500,000 | $ 507,877 | $ 500,000 | $ 500,127 |

## 5. TANGIBLE CAPITAL ASSETS

| | Cost 2015 | Accumulated Amortization 2015 | Cost 2014 | Accumulated Amortization 2014 |
|---|---|---|---|---|
| Furniture and equipment | $ 1,026,103 | $ 306,103 | $ 636,724 | $ 215,609 |
| Leasehold improvements | 897,846 | 164,655 | 762,846 | 81,287 |
| | 1,923,949 | $ 470,758 | 1,399,570 | $ 296,896 |
| Accumulated amortization | (470,758) | | (296,896) | |
| Net book value | **$ 1,453,191** | | **$ 1,102,674** | |

# Notes to the Financial Statements

## 6. INTANGIBLE CAPITAL ASSETS

| | Cost 2015 | Accumulated Amortization 2015 | Cost 2014 | Accumulated Amortization 2014 |
|---|---|---|---|---|
| Software | $ 759,522 | $ 133,620 | $ 658,710 | $ - |
| Accumulated amortization | (133,620) | | - | |
| Net book value | **$ 625,902** | | **$ 658,710** | |

## 7. DEMAND OPERATING FACILITY AGREEMENT

TSASK has a Demand Operating Facility Agreement providing for a revolving line of credit for loans and overdrafts not to exceed $250,000. The interest rate is set at prime rate + 0.500% per annum. Bank Security under the agreement consists of a first charge to acquired personal property and guarantees. During the year, TSASK continually had a positive cash balance and at no point was the line of credit accessed (2014 – $nil).

## 8. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

| | 2015 | 2014 |
|---|---|---|
| Trade payables | $ 105,684 | $ 14,124 |
| Accrued liabilities | 157,280 | 127,337 |
| Employment insurance payable | 419 | 5,569 |
| Canada pension plan payable | 1,399 | 13,197 |
| Employee income tax payable | 9,883 | 45,542 |
| Payroll employer liabilities | 327,836 | 589,906 |
| Provincial sales tax payable | 358 | 363 |
| Good and services tax payable | 1,481 | 2,497 |
| | **$ 604,340** | **$ 798,535** |

## 9. DEFERRED REVENUE

| | 2015 | 2014 |
|---|---|---|
| Deferred elevator licensing | $ 489,136 | $ 466,198 |
| Deferred operators licensing | 1,701,609 | 1,711,286 |
| Deferred boiler and pressure vessel licensing | 1,046,654 | 1,305,351 |
| Total deferred revenue | $ 3,237,399 | $ 3,482,835 |
| | | |
| Current portion | **$ 2,358,229** | **$ 2,567,278** |
| Long term | **$ 879,170** | **$ 915,557** |

# Notes to the Financial Statements

## 10. DEFERRED TENANT ALLOWANCE

| | 2015 | 2014 |
|---|---|---|
| Deferred tenant allowance, beginning of year | $ 277,220 | $ 303,896 |
| Allowance received during the year | 20,000 | 4,867 |
| Amortization of tenant allowance | (32,717) | (31,543) |
| Deferred tenant allowance, end of year | $ 264,503 | $ 277,220 |
| Current portion | **$ 35,383** | **$ 31,383** |
| Long term | **$ 229,120** | **$ 245,837** |

## 11. NET ASSETS

| | Invested in Capital Assets | Operating Reserve | Externally Restricted Reserve | Capital Reserve | Total |
|---|---|---|---|---|---|
| Net assets, June 30, 2013 | $ 1,636,321 | $ (476,662) | $ 1,200,000 | $ - | $ 2,359,659 |
| Excess of revenue over expenses | - | 1,219,755 | - | - | 1,219,755 |
| Investment in tangible and intangible assets | 125,063 | (125,063) | - | - | - |
| Interfund transfers | - | 200,000 | (600,000) | 400,000 | - |
| Net assets, June 30, 2014 | $ 1,761,384 | $ 818,030 | $ 600,000 | $ 400,000 | $ 3,579,414 |
| Excess of revenue over expenses | - | 337,928 | - | | 337,928 |
| Investment in tangible and intangible assets | 317,709 | (317,709) | - | | - |
| Interfund transfers | - | - | - | - | - |
| Net assets, June 30, 2015 | $ 2,079,093 | $ 838,249 | $ 600,000 | $ 400,000 | **$ 3,917,342** |

## 12. COMMITMENTS

TSASK has entered into various lease agreements with minimum annual payments as follows:

| | |
|---|---|
| 2016 | $ 389,547 |
| 2017 | 384,738 |
| 2018 | 387,070 |
| 2019 | 406,859 |
| 2020 | 382,080 |
| Thereafter | 785,676 |
| | **$ 2,735,970** |

# Notes to the Financial Statements

## 13. FINANCIAL INSTRUMENTS

### FAIR VALUE

TSASK's financial instruments consist of cash, accounts receivable, investments, accounts payable, and accrued liabilities. The carrying amount of TSASK's financial instruments approximates fair value, due to relatively short-term maturities.

### CREDIT RISK

TSASK is exposed to credit risk of its trade receivables. TSASK manages this credit risk through monitoring of credit balances and active collection activity. In the event that an account is deemed uncollectible, the account is written off as bad debt.

### INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument might be adversely affected by a change in interest rates. TSASK has no significant exposure to interest rate risk.

### LIQUIDITY RISK

Liquidity risk is the risk that TSASK will not be able to meet its financial obligations as they fall due. TSASK's approach to managing liquidity risk is to ensure that it will have sufficient working capital and cash flow generated from operations to fund the operations and settle debt and liabilities when due. TSASK also maintains an operating reserve to mitigate this risk (note 11). Contractual obligations and payments related to financial liabilities as at June 30, 2015 are all expected to be paid by June 30, 2016.

### FOREIGN CURRENCY RISK

Foreign exchange risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. TSASK enters into transactions to receive income denominated in US dollars. TSASK has no significant exposure to foreign currency risk.

## 14. PENSION PLAN

TSASK participates in the Public Employees Pension Plan (PEPP), a defined contribution pension plan. TSASK's obligations to PEPP are limited to 7.50% of earnings for all employees for current services. During the year, TSASK contributed $407,804 (2014 - $347,299) to PEPP, which is recorded as an expense.

## 15. TRANSACTIONS WITH GOVERNMENT

TSASK has routine operating transactions with the Government of Saskatchewan, which are recorded at the rates charged by the Government of Saskatchewan and are settled on normal trade terms. Included in expenses are transactions with the Government of Saskatchewan amounting to $774,096 (2014 - $790,667) of which $64,277 (2014 – $63,677) was payable at June 30, 2015.

## 16. COMPARATIVE AMOUNTS

Certain prior year comparative figures have been reclassified to conform to current year's presentation.

# ANNUAL REPORT 2015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